Town of Bedford Finance Committee
Town Hall, Selectmen's Meeting Room
December 18, 2014

Members in attendance: Rich Bowen, Tom Busa, Elizabeth McClung, Paul Mortenson, Barbara Perry, David Powell, Ben Thomas (Acting Chair).

Others in attendance: Taissir Alani, *Director of Facilities;* Victor Garofalo, *Director of Finance and Collector/Treasurer*; Bob Kenney, *retired FinCom member*; Michael McAllister, *School Committee*; Bill Moonan*, Selectmen.*

Utilities: Facilities Director Taissir Alani gave an overview of energy use and projected prices to prepare for anticipated electricity and natural gas rate increases which will affect the FY15 and FY16 budgets. It is Mr. Alani's view that the pipeline capacity issue causing the rate increase will be resolved by 2017; in the meantime, municipal budgets throughout the Northeast will be adversely impacted.

There are five reasons for the increase:

- More residential customers have switched from oil to natural gas for heating. Mr. Alani said that residential customers get priority for natural gas supplies so power plants are forced to use oil.
- The ISO Energy program encourages stockpiling fuel oil.
- Coal-fired electric plants are closing.
- "Capacity zones" will increase from one to four, with the Northeast zone most affected by price increases.
- There is a general increase in demand nationally and globally.

Bedford has a natural gas contract through November 2015 so gas prices will remain the same until then, although electricity prices are not protected under this contract. After the gas contract expires, the Town can opt for a 1, 2 or 3 year agreement. In the case of natural gas: the longer the contract, the lower the per unit price. But in the case of electricity, the opposite is true: the longer the contract, the higher the per unit price. Asked why this is so, Mr. Alani said that NSTAR "doesn't like to commit." Prices are expected to increase 60-90%.

Mr. Alani provided FY15 energy usage figures and budget allocations. There are three separate department-specific strands for Bedford's energy exposure: Schools [FY15 budget allocation for electricity $579,141; gas $252,042]; Library [electricity $60,000; gas $36,000]; and Town [electricity $40,631; gas $15,440]. School and Town energy budgets will be moved to the Facilities budget.

Price is not under the Town's control, but usage is. After several years of investing in energy-saving projects, Mr. Thomas asked if there is anything more left to do that will conserve energy.

Mr. Alani said that the Town is planning projects to swap out building, site and street lighting to higher efficiency technologies like LEDs. Some of this will be done through Green Communities funding, some with pricing offsets from the utilities. But, he admitted that when the Town switched from heating with oil to heating with gas in '07/'08 "that was the big hit."

Ms. Mc Clung asked whether utility costs are affected by residential solar panel installation. Mr. Alani said that not enough people are installing panels make a big impact. The Town is now in discussion with two companies to see how feasible it would be to install municipal solar arrays. “They love to do roofs but I’d like to stay away from the roof issue as much as we can –I personally had a bad experience with that: the solar installer is not a roofer and the roofer is not an electrician. So the solar installer is going to just drill holes to support his solar panels and as a result you might create problems with the roof… These two companies would love to do a power agreement with us for 20 years.”

Mr. Alani went on to talk about demand response for peak summer usage and how that can heavily impact utility unit price. “They take a snapshot of your usage when you’re running everything and that’s the rate you pay for the month. The purpose of trying to do something with solar is so that when the demand day occurs, we could just switch off completely to the solar. Then we’ll never hit that top rate.”

Another energy-saving strategy Mr. Alani plans to use is building re-commissioning so that systems run optimally. Re-commissioning will save an estimated 15-20% each year in energy costs. There is an FY16 capital request to fund the cost of re-commissioning two buildings. When asked whether the payback makes sense considering the price tag, Mr. Alani said it is not only energy cost avoidance should be considered; there is also savings in added longevity when buildings systems that are maintained properly through re-commissioning.

Trying to understand the impact to the budget of these higher energy prices, FinCom members asked Mr. Alani to estimate how much additional funding would be needed to cover the utilities increases. “You may get a budget that’s an average but we need to set aside money—probably in the Reserve Fund,” explained Mr. Bowen.

With regard to the projected FY16 energy cost, Mr. Alani said, “I personally hope we never get the $2.1M projection but it’s really weather –related. We’ll do the best on our end to really monitor it and conserve as much as we can. I think we should be OK with another 30%.”

With this in mind, the Committee estimated that $300,000 would need to be earmarked for FY15 for utilities and an additional $480,000 would be needed for FY16.

Mr. Alani will send FinCom an “oil vs. gas” breakeven analysis for those heating system that can toggle back and forth between the two fuels, depending on market prices.

Model 2.5: Mr. Garofalo sent out the guideline letters to the Town departments. In the model, the various guideline amounts have been added to the individual budget line items. For the multiple departments under the Selectmen’s budget, Mr. Reed will allocate the specific sums. First, Mr. Reed will remove the merit before giving the department its new, revised guideline figure.

Mr. Garofalo increased the FY16 utilities line item to $1.7 that now includes School and Town utilities. He also changed the amount that the Schools’ IT would be reduced from $150,000 to $101,470 as previously discussed. IT is now under the Capital umbrella. The Capital number has been adjusted to $2.611.

After these adjustments, the Unused Levy stands at $2,178,678 with $843,000 left to distribute.

Mr. Garofalo reported that Mr. Reed feels that the 2 ½% increase "will be tight" and anticipates coming in "at $50,000 to $100,000 off that number."

To address the anticipated FY16 utilities shortfall of $483,000, Mr. Busa proposed taking the funds out of the Unused Levy capacity of $2.178. Mr. Bowen said he would prefer to see the money come from the Capital budget.

To that end, Mr. Bowen moved to increase the utilities budget by $483,500 and decrease the amount of Capital funded by the Tax Levy by the same amount. Mr. Busa concurred. Mr. Powell seconded. The motion passed on a 7-0-0 vote.

Returning to the potential FY14 utilities shortfall of $300,000-$330,000, the Committee observed that – after accounting for already committed funds for homeless transportation and Davis School modulars—the remaining Reserve Fund balance of $389,000 would be drained. Mr. Garofalo said that the Reserve Fund could be replenished by Town Meeting from Free Cash or a transfer from the Stabilization Fund. If the Stabilization Fund is tapped, it would require 2/3 approval by Town Meeting.

Mr. Powell asked if there might be anything in the FY15 budget "that could go better than expected." Mr. Garofalo replied that he would take a close look; he suggested there might be some leeway in the Health Insurance line item and added "the School budget, in the past, has had a little bit of wiggle room. They made a transfer last year for utilities—utilities was short last year, too."

Meetings attended: Mr. Busa said he would soon be meeting with the committees/departments he liaises.

Mr. Bowen met with the Assessors. They will have a contingency request in their budget proposal to hire a consultant "to see if they can't achieve [another] substantial increase in personal property, similar to this year." Mr. Garofalo suggested Mr. Bowen ask the Assessors about salary money that could possibly utilized to hire the consultant.

Ms. Perry attended Capital Expenditures and Community Preservations meetings. Both groups are still working on their six year plans.

"Capital Expenditures is comfortable in working out this new six-year approach but basically we talked about the upcoming FY16 budget," Ms. Perry said. CapEx rated the proposed projects which Ms. Perry described as "different from but also similar to" the previous ranking process. The main difference is that projects are not being judged against one another as in the past.

Ms. Perry said of particular concern was a request for $583,000 for School Technology. "It turns out that in the past, some of the money that they've included in their Operating budget for technology has actually been used for other things instead of technology," Ms. Perry explained. "The Committee agreed that it was a good thing to have it in the Capital part of the budget but, on the other hand, we still have a problem with the huge amount that includes technology infrastructure at Lane and Davis. Basically, we asked them to look at breaking that down into three components: PCs (that have a more regular/frequent replacement cycle), support (Smartboards, etc used for instructional purposes), and infrastructure for the network. That will be a big help in understanding that big number."

Community Preservation discussed process; they went through an exercise to determine how they would rate/evaluate their project submissions and "tweaked their application sheet a little."

Ms. Perry said Davis Road sidewalks that were approved for CP funds in 1997 never got built "because of the complexity of the project." Proposed was a boardwalk type of sidewalk from the entrance to Davis Road near St. Michael's church to the turn off onto Revolutionary Ridge.

Ms. McClung attended a School Committee meeting at which the big gap between the Superintendent's budget proposal and FinCom's guideline was discussed. "They spent a lot of time going through the offset accounts and the non-operating account balances, talking about ways to look at things differently or use money differently" to help bridge the gap. For example, the proposed textbook purchase might be funded by the textbook budget instead of viewed as a contingency item.

"They are going to be looking at the details of their budget to make sure that everything that's being requested in necessary," Ms. McClung reported.

Open discussion: Further detail on the CapEx project rating process was requested. Ms. Perry explained that the prioritization rating system uses 0 for the highest priority, 2 for the lowest and X for elimination.

"We haven't decided whether we should take roads off. We didn't agree on that because we haven't decided whether we should keep projects on that have other sources of funding," Ms. Perry said. "There are 67 requests right now that I see in three different categories: recommend to do; recommend to defer; recommend to take off the list."

CapEx has not "drawn a line" as they have in their past practice of ranking projects. "That will come later when the funding sources are assigned," Ms. Perry said. She asked if FinCom wanted to see a line drawn as in years past.

Ms. McClung said it would be interesting to see how the projects rated. Mr. Powell said FinCom should say how much is available for Capital funding without getting into the details.

Mr. Garofalo reported that there are positive results from the actuary study that give a brighter outlook to the unfunded liability profile. As for the level of funding in the account, Mr. Garofalo said, "We're not pay as you go, we're not fully-funded, we're right in the middle."

Minutes: Ms. Perry moved that the minutes of December 11 be approved as amended. Mr. Powell seconded. The motion passed, 6-0-1.

Mr. Powell moved to adjourn the meeting. Mr. Mortenson seconded. The motion passes, 7-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary